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BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D. C.

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Joint Application of

CONTINENTAL AIRLINES, INC.
and
COMPANIA PANAMENA DE AVIACION,
S.A.

OST-00-8577-11

under 49 USC 41308 and 41308 for approval
of and antitrust immunity for an alliance
agreement

JOINT ANSWER OF AMERICAN AIRLINES, INC.
AND THE TACA GROUP IN RESPONSE TO ORDER 2001-2-5

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March 2, 2001

BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D. C.

Joint Application of :
CONTINENTAL AIRLINES, INC. :
and : OST-00-8577
COMPANIA PANAMENA DE AVIACION, :
S.A. :
under 49 USC 41308 and 41308 for approval :
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JOINT ANSWER OF AMERICAN AIRLINES, INC.
AND THE TACA GROUP IN RESPONSE TO ORDER 2001-2-5

American Airlines, Inc. and the TACA Group,¹ in response to Order 2001-2-5, February 6, 2001 establishing procedural dates, hereby answer the joint application submitted on December 22, 2000 by Continental Airlines, Inc. and Compania Panamena de Aviacion, S.A. for antitrust immunity.

The Continental/COPA application should be processed and granted on a parallel track with the American/TACA Group application for antitrust immunity submitted on March 17, 2000 in OST-00-7088. On February 28, 2001, American and the TACA Group submitted all information that the Department has required in OST-00-7088, and the American/TACA Group application is ripe for an immediate order establishing procedural dates.

¹Aviateca, S.A., Lineas Aereas Costarricenses S.A., Nicaraguense de Aviacion S.A., TACA International Airlines S.A., and Taca de Honduras S.A.

The aviation agreements between the United States and each of the homeland countries of the TACA Group carriers -- Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua -- are fully open, as is the agreement between the United States and Panama. All of these agreements are intended to provide consumers with important public benefits, including the approval of carrier alliances that will lead to enhanced on-line options across broader route networks, improvements in service, and lower fares.

Each of the public benefits claimed by Continental/COPA in their request for antitrust immunity (p. 2) will accrue in equal or greater measure from approval of the American/TACA Group application in OST-00-7088:

- o A broad network, making U.S.-Central America and South America travel more accessible to consumers, with convenient new routings which will compete with other alliances in the region;

- o More value to the customer, made possible through the synergies and efficiencies that antitrust immunity will permit;

- o A wide choice of on-line routings and schedules between the U.S. and Central America and between the U.S. and the rest of Latin America;

- o Seamless, coordinated connections between alliance flights, including single tickets and handling of baggage and cargo;

- o Service offered by airlines known for their commitment to high quality service and innovation;

- o Reciprocal frequent flyer programs, offering customers of both airlines a wide range of opportunities both for earning mileage and for enjoying travel awards and premium service features.

American/TACA Group and Continental/COPA are vigorous competitors. Continental/COPA have a healthy and growing presence not only in the U.S.-Panama market, but in the U.S.-Central America market as a whole. Continental/COPA will account for over 30% of U.S.-Central America frequencies in 2001 (OAG schedules as of February 28, 2001), up from 24.5% in 1998. Since 1998, Continental and COPA have added service in a number of new markets, including Newark-Guatemala City, Newark-San Pedro Sula, Newark-San Salvador, Newark-San Jose, Los Angeles-Panama City, Orlando-Panama City, and San Juan-Panama City.

The Continental and COPA market share between the U.S. and Central America has grown significantly, from 23% in 1998 to 26% in 2000 (CRS passenger bookings). This three-point growth rate has come largely at the expense of American and TACA, which experienced a decline in U.S.-Central America market share from 62% to 56% over the same period.

Indeed, in all but U.S.-Central America market, Continental and COPA have gained market share, while American and TACA have lost market share.

Change in Market Share, 1998-2000

	<u>Continental/COPA</u>	<u>American/TACA</u>
U.S.-Belize	- 1.4 points	+ 2.1 points
U.S.-Costa Rica	+ 2.8 points	- 11.4 points
U.S.-El Salvador	+ 2.0 points	- 2.7 points
U.S.-Guatemala	+ 2.5 points	- 5.2 points
U.S.-Honduras	+ 3.0 points	- 4.6 points
U.S.-Nicaragua	+ 1.5 points	- 5.4 points
U.S.-Panama	+ 8.1 points	- 15.5 points

This data clearly demonstrates that the U.S.-Central America market enjoys robust competition. COPA has announced plans to expand significantly Panama City's scope of service as a hub by adding services throughout the Americas, and has already added new service to Mexico City, Cancun, and Sao Paulo in 2001.

Accordingly, granting antitrust immunity to both the American/TACA Group alliance and the Continental/COPA alliance is required to maintain sound competitive balance in the U.S.-Central America market. The Department should immediately issue an order establishing procedural dates in the American/TACA Group docket, and should process both the American/TACA Group and Continental/COPA immunity applications on the same timetable.

Respectfully submitted,



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March 2, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document by first-class mail on the following persons:

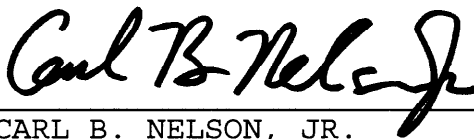
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February 20, 2001